

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Removing Obstacles to Increased)	Docket No. EL01-47-000
Electric Generation and Natural Gas Supply)	
in the Western United States)	

**COMMENTS OF THE
NATIONAL ENERGY MARKETERS ASSOCIATION**

Pursuant to the Order issued in the above-referenced docket, the National Energy Marketers Association (NEM) hereby submits its comments with respect to certain issues and questions posed by the Commission therein.

INTERESTS OF NATIONAL ENERGY MARKETERS ASSOCIATION

The National Energy Marketers Association (NEM) is a national, non-profit trade association representing both wholesale and retail marketers of energy and energy-related products, services, information and technologies throughout the United States. NEM's membership includes: small regional marketers, large international wholesale and retail energy suppliers, billing and metering firms, Internet energy providers, energy-related software developers, risk managers, energy brokerage firms, information technology providers and both manufacturers and suppliers of advanced distributed generation. Our membership has both affiliated and unaffiliated companies.

This regionally diverse, broad-based coalition of energy and technology firms have come together under the NEM auspices to forge consensus and to help eliminate as many issues as possible that would delay competition. NEM does not represent regulated utilities, however, given its commitment to effective competition, it supports the need to upgrade the U.S. energy delivery infrastructure to enhance supplies of natural gas and electricity and to mitigate congestion and resulting price spikes.

COMMENTS

NEM commends the Commission for proposing aggressive, targeted and time-sensitive, performance based measures that will mitigate congestion and increase throughput of energy supplies into California thereby increasing energy supply in the short term. NEM also commends the Commission for taking market-based actions that can help reduce demand and thereby mitigate the current supply shortfall and price spikes in California. NEM urges the Commission to take such measures in other areas of the country that face similar congestion, bottlenecks and potential energy shortfalls. Additionally, NEM urges the commission to expand the scope of targeted, performance-based incentives to upgrade computer systems that facilitate competition and provide the marketplace with low-cost information exchange, thereby promoting conservation, increasing reliability, and reducing costs. Effective competition cannot bring lower prices to the ultimate consumer without a world class, nationwide energy transmission and distribution system.

The Commission has requested comments on the following performance-based measures:

- 1) Giving transmission owners of projects that increase transmission capacity at present constraints and can be in service by July 1, 2001, a cost-based rate reflecting a 300 basis point premium on equity and a 10-year depreciable life. Those that can be in service by November 1, 2001 will receive a cost-based rate reflecting a 200 basis point premium and a 10-year depreciable life.
- 2) Permitting transmission owners a cost-based rate reflecting a return on equity of 12.5% (a 100 basis point premium) and a 15-year depreciable life for system upgrades that involve new rights of way, adding significant transfer capability and that can be in service by November 1, 2002.
- 3) Providing facilities needed to interconnect new supply to the grid which go in service as required to accommodate the in-service date of the new entrant a cost-based rate which reflects a return on equity of 13.5% (a 200 basis point premium) if in service by November 1, 2001, and 12.5% (a 100 basis point premium) if in service by November 1, 2002.
- 4) To the extent that transmission owners can increase transmission capacity on constrained interfaces without capital intensive expenditures by, for example, installing new technology on existing facilities to better control voltage and power flow or by implementing new operating procedures,

allowing them to increase the revenue requirement of their network service rates to ensure that each additional MW of capacity will generate revenues equal to the provider's current firm point-to-point rate.

5) Allowing rolling in of interconnection and upgrade costs associated with new supply, rather than directly assigning such costs to the generator.

6) Offering rate incentives to expedite construction of projects that will make additional capacity available this summer on constrained pipeline systems.

As a general matter, NEM asserts that federal regulatory incentives are needed immediately to encourage new investments in energy supplies, conservation, technology, and infrastructure. NEM supports the provision of performance-based regulatory incentives for infrastructure upgrades, congestion management, maintenance and streamlined interconnection procedures on the electric side (including competitively provided distributed generation) and for increased throughput of supplies on the gas side. In the short term, such measures will alleviate price spikes and the threat of black-outs, and in the long term, they will allow meaningful price competition and result in lower prices.

Available transmission capacity and energy usage information must be available to competitive energy suppliers in a timely, accurate, low-cost manner and easily usable format. Utilities, suppliers, vendors and consumers must be able to exchange vital information in the lowest cost, most efficient manner possible.¹ NEM recommends the Commission consider the use of performance based measures to upgrade computer systems to facilitate competition and reduce costs. In this regard, NEM urges the Commission to be vigilant not to provide incentives to regulated monopolies that would permit them to monopolize or encourage them to provide competitive products, services and technologies (e.g. billing systems) that can and should properly be provided by competitive suppliers.

Upgrading computer systems to implement Internet-based information protocols that

¹NEM commends the Commission for recognizing the import of efficient, low-cost information availability and exchange by issuing its Notice of Inquiry pertaining to electronic tariff filings and the electronic format to be used for such filings to facilitate database management, for example the use of generic, nonproprietary markup languages such as XML. See Federal Register Notice dated March 14, 2001, in Docket No. RM01-5-000.

integrate both uniform business practices and data dictionaries is a low-cost, high-yield policy that can be implemented quickly.

Upgrading the U.S. transmission and distribution infrastructure, encouraging conservation and the timely, accurate dissemination of critical energy usage information is vital to the efficient management of both energy supply and energy demand. NEM supports the Commissions aggressive, targeted, performance based and time sensitive incentives. Moreover, NEM urges the Commission to the extent of its jurisdiction to implement additional regulatory incentives for needed upgrades in technology. However, in so doing, NEM urges the Commission to ensure that such incentives maintain the competitive nature of the products and services, and do not indirectly permit or encourage utilities to monopolize new competitive businesses and technologies.

CONCLUSION

The National Energy Marketers Association greatly appreciates the opportunity to provide the Commission with its views on the important policy proposals in this proceeding.

Respectfully submitted,

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